financial report 1982-83

MANITOBA

department of finance

No one needs to be reminded that the recession took a devastating toll on our country and also on our Province. Certainly, many of its effects continue to linger, particularly unemployment which is projected to remain high over the medium-term. The structure of Manitoba's economy and, I believe the policies our Government implemented to cushion the impact of the recession, have resulted in the provincial economy faring relatively better than that of most other provinces. Implementation of those policies was, of course, accompanied by some significant increases in provincial deficit levels, increases which our Government felt were appropriate in those extremely difficult times.

This Financial Report contains information on the fiscal position of the Province for the fiscal year 1982-83, the first full year our Government has been in office. During that year, we implemented significant measures to sustain and strengthen the economy including interest rate assistance, the Homes in Manitoba Program, a freeze on selected rates, fees and taxes, and an expansion in job creation initiatives. In overall terms, expenditure increased by $412 million or 16.9% from $2,432 million in 1981-82 to $2,844 million in 1982-83 while revenue increased by $228 million or 10.5% from $2,181 million in 1981-82 to $2,409 million in 1982-83.

The Report indicates a deficit of $435 million for 1982-83, some $91 million above the estimate of $344 million. Revenue was $86 million below the estimate as a result of the deepening recession throughout 1982. Expenditure increased by some $5 million over the Budget estimate as the government maintained programs to support the economy and individuals affected by the recession while accommodating increased public debt costs through reprioriztion and expenditure containment measures in other areas.

On the revenue side, federal support again declined, from 38.4% of total revenue to 38.1% with a corresponding increase in Manitoba's reliance on own source revenues. This reduction reflects the impact of federal fiscal arrangements cutbacks which commenced April 1, 1982. Revenue for 1982-83 includes partial-year receipts under the Levy for Health and Post-Secondary Education introduced to secure some replacement revenues for the federal transfer cutbacks.

To ensure the most effective use of resources within these difficult financial constraints, the government has placed a high priority on improving management practices. Steps have been taken to strengthen departmental planning and controlling processes to ensure that scarce resources are effectively managed. The improvements which have been achieved in these areas are evident from the comments and conclusions contained in the Provincial Auditor's Report for 1982-83. For the first time in ten years, the Provincial Auditor has not found it necessary to qualify his report because of system deficiencies. He now concludes that . . . "the system has all the necessary elements for effective management."

Currently, there are encouraging signs of economic recovery and some optimism for the medium-term. Our Government believes that the resumption of economic growth and recovery in Manitoba carries with it an obligation to take measures to deal with the Province's deficit. While we believe increased deficits were both justified and appropriate during the recession, we also believe that those deficits can and must be reduced as the economy recovers. In order to continue to ensure that resources are made available for essential programming, economic development and job creation measures within our deficit reduction objectives, the Government has implemented further expenditure containment measures in the current fiscal year, established stringent spending guidelines for 1984-85 and initiated an extensive, longer-term reprioriza-tion effort to scrutinize all programming for potential cost savings.

Our Government is committed to providing a high level and quality of public services, to enhancing the employment opportunities available to Manitobans and to directing resources to the creation of assets of lasting value to the community. We believe our policies have provided the needed leadership. We recognize as well that strong support from all sectors within the Province is critical in meeting the challenges of the recovery period.

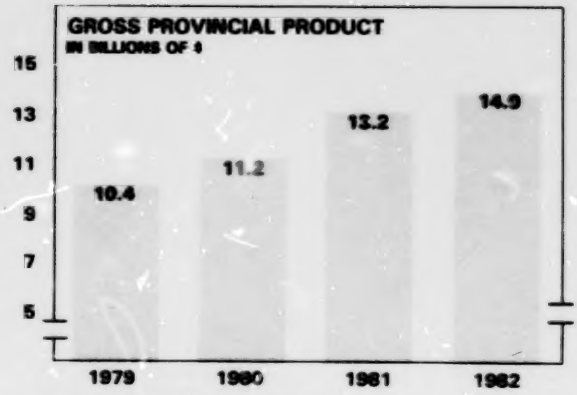
V Schroeder

Vic Schroeder,
Minister of Finance
January, 1984.

ECONOMIC STATISTICS

Gross Provincial Product

Manitoba's Gross Provincial Product is estimated to have reached $13,980 billion in 1982, an increase of $740 million over 1981. The national and international recession which extended from mid-1981 to the end of 1982 was the most severe since the 1930's and resulted in employment losses and in reduced output in most goods producing industries in the Province. Fortunately, continued growth in agricultural crop production and in the service sector in Manitoba along with supportive government policies provided important sustaining strength to the economy and the impact of the recession was relatively milder than in most other provinces.



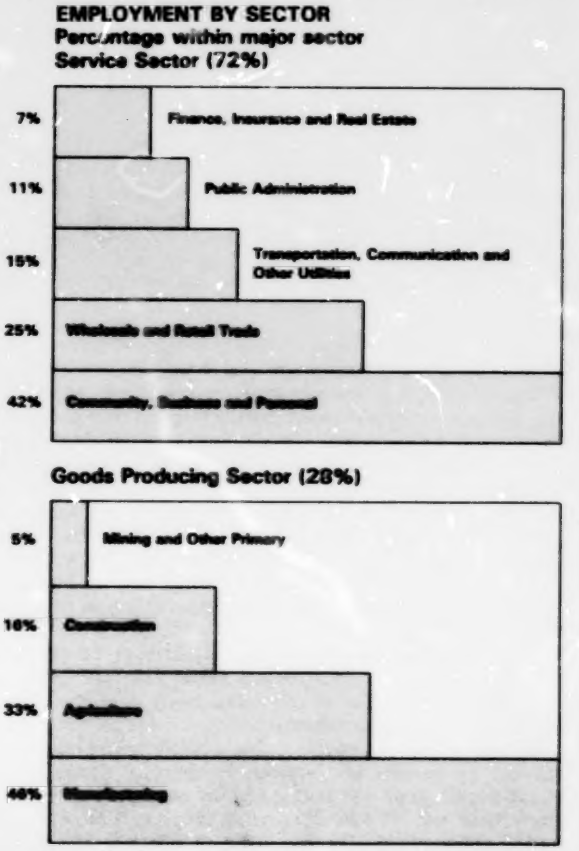
Sectoral Developments

Agricultural production increased in 1982 as favourable overall growing conditions enabled Manitoba farmers to produce their second consecutive bumper crop. New record yields and volumes were established for wheat and barley along with record yields for oats and flaxseed. However, a late summer frost adversely affected the quality and yields of canola, buckwheat and corn, and along with lower prices resulted in a decline in the total value of crop production. Stronger prices for hogs and increased volumes of beef production resulted in sharp increases in the value of major livestock production while more modest growth was realized in the value of production of dairy, poultry and sheep. The total value of farm production rose about 2% in 1982, to $2.0 billion. Although the rate of increase in farm input costs was considerably lower than in 1981, realized net farm income showed a further moderate decline.

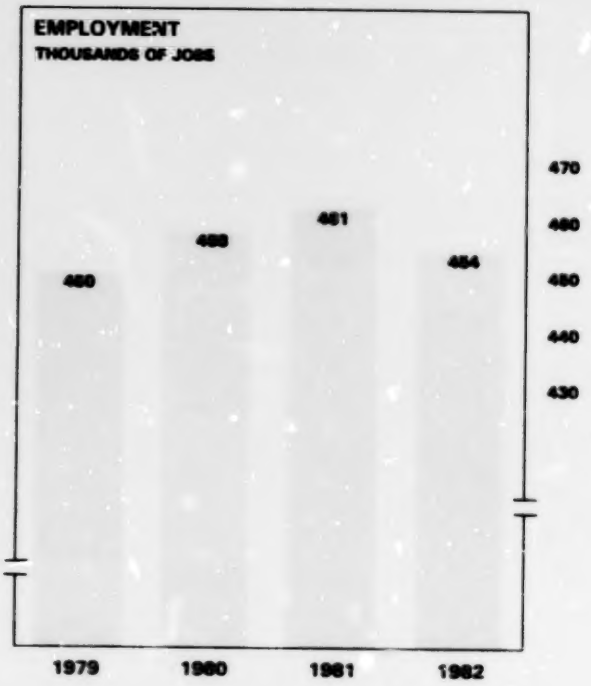
Metal mining continued to be one of the areas hardest hit by the international recession in 1982. Shut-downs and layoffs in response to weak demand and falling prices contributed to an 18% decline in the total value of production to $542 million. Continued expansion of oil exploration activity contributed to the first increase in volume of petroleum production since 1969 and, along with higher prices, to a 57% increase in value, to $101 million.

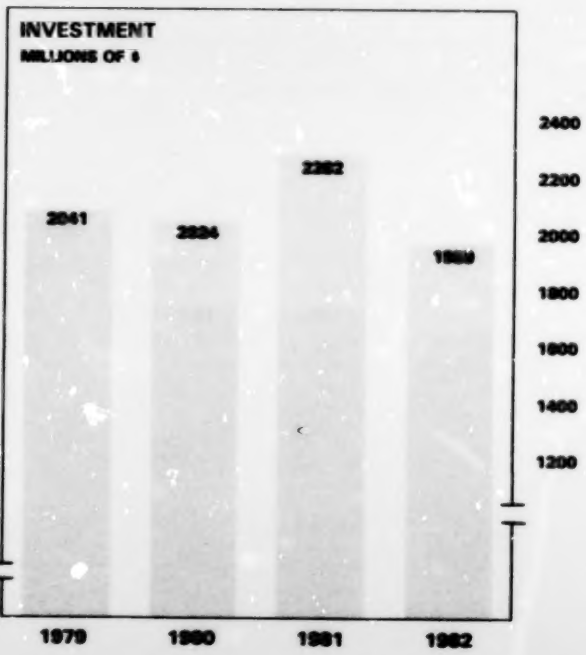
The impact of the recession on manufacturing production occurred somewhat later in Manitoba than in Canada as a whole, however, following a number of years of strong expansion, manufacturing shipments in the Province declined 3% in 1982, to $4.8 billion. Among the major manufacturing industries, continued growth in shipments of food and beverages, printing and publishing, chemical and electrical products were offset by declines in metal and machinery related shipments, wood products and non-metallic minerals.

The service sector of the economy provided important sustaining strength in 1982. Employment increases in trade, and in community business and personal services offset two-thirds of the employment losses elsewhere in the economy. Retail sales increased 7% to $3.8 billion in 1982, compared with an increase of 3.5% in Canada. The



recession affected travel and vacation spending with total tourism expenditure in Manitoba declining about 1% to $580 million. Within the total, expenditure by Manitobans was up about 5% while declines in the number of non-resident visitors were accompanied by a 6% decline in non-resident expenditure.





Employment and Incomes

In 1982, total employment averaged 454,000 in Manitoba, some 7,000 fewer than in 1981. However the decline in the Province was significantly milder than in most parts of Canada and less than one-half as severe as the national average.

Net out-migration to other provinces declined to 2,538 in the year ending May 31, 1982, from 9,403 the previous year and from a recent peak of 13,864 in 1979-80. Total population on June 1, 1982 is estimated at 1,035,200, an increase of 9,000 or 0.9% from June 1, 1981. From the fourth quarter of 1982 to mid-1983, Manitoba recorded a net inflow of population from other provinces.

The combination of labour force expansion and fewer jobs resulted in an increase in the unemployment rate from 5.9% in 1981 to 8.5% in 1982. However, the rate remained well below the Canadian average of 11.0%.

Personal income is estimated to have increased 9.9% to $12.4 billion in 1982. Wages, salaries and supplementary labour income in Manitoba rose 9.2% to $7.8 billion. The increase was well above the national increase of 7.4% reflecting the better job retention record in the Province. The rates of growth in all components of earned income were lower than in 1981 while transfers from government increased significantly. Following very strong growth in 1981, net farm incomes including inventory changes declined in 1982. Personal disposable income per capita reached $10,183 in 1982. The Consumer Price Index for Winnipeg increased 8.8% in 1982 compared with an increase of 10.8% in the Index for Canada.

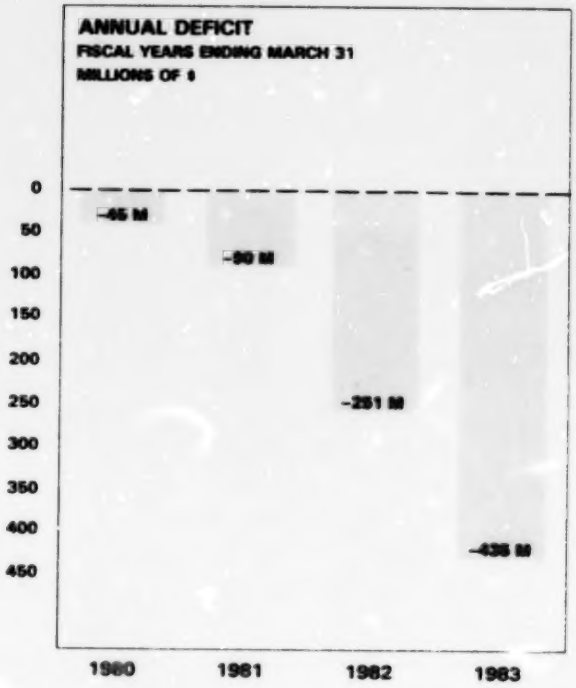
Investment

Total new capital investment expenditures declined by 13% in 1982 to $2.0 billion. The recession and high interest rates sharply reduced investment spending in virtually all industries over the course of the year such that increases from the 1981 level of investment were recorded only in communications and other utilities (excluding transportation) and by government departments. The nominal value of new housing investment declined by one-third to its lowest level in more than a decade even before allowing for inflation. Private sector investment was down 20% while public sector investment increased by 5%.

FINANCIAL HIGHLIGHTS

Overview of the Deficit

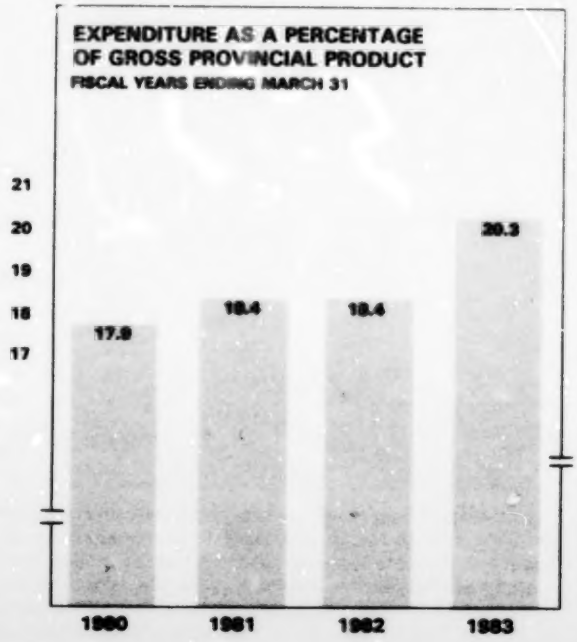
In 1982-83, the deficit reached $435 million, an increase of $91 million over the budgeted deficit of $344 million and some $184 million above the $251 million deficit recorded in 1981-82. The Budget deficit was set with the intention of providing needed support and underpinning to the economy and protection to those worst affected by the recession. The increase in the deficit subsequent to the presentation of the Budget resulted primarily from a 3.4% or $86 million reduction in revenue due to the impact of the recession. Within the revenue total, corporation income taxes declined by $91 million or more than the net decline in revenue once changes in other components were taken into account. Expenditure increased 0.2% above budgeted amounts as expenditure containment measures offset the added cost of debt service costs, larger tax credit expenditure, and increased social allowance costs because of the recession.

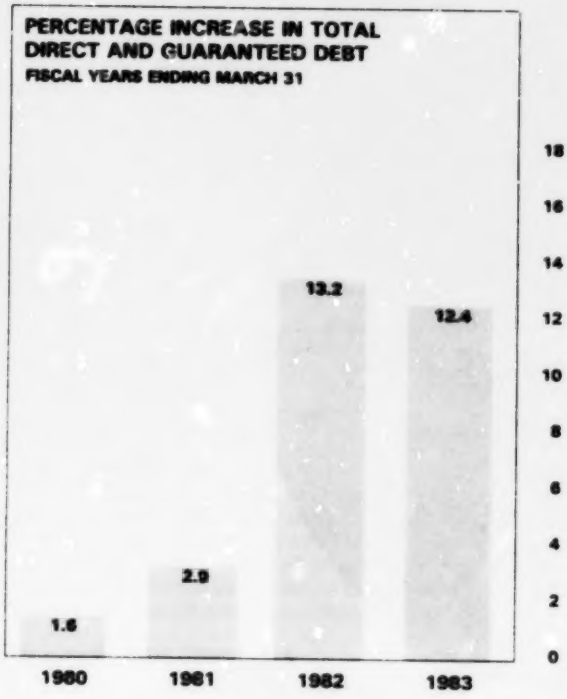


Expenditure and Revenue

Total expenditure in the 1982-83 fiscal year amounted to $2,844 million, an increase of $412 million or 16.9% over the 1981-82 total of $2,432 million. Expenditure related to health and education programs accounted for 52% of total expenditure. Public debt costs, primarily related to prior years' deficits and high interest rates, increased $48 million or 42.1% over 1981-82 and accounted for 5.7% of total expenditure in 1982-83. Expenditure increased as a share of Gross Provincial Product to 20.3% in 1982-83 reflecting the impact of the recession on the economy.

Total revenue in 1982-83 amounted to $2,409 million, an increase of $228 million or 10.5% from $2,181 in the previous year. Transfer payments from the Government of Canada contributed $919 million or 38.1% of total revenue down from 38.4% in 1981-82 and from 42.6% in 1979-80, with the remaining revenue coming from the Province's own sources. Federal cutbacks to the Equalization and Established Programs Financing Arrangements became effective in 1982-83. The Manitoba Levy for Health and Post-Secondary Education was implemented during the year to secure needed replacement revenues to offset the reduction in federal support.



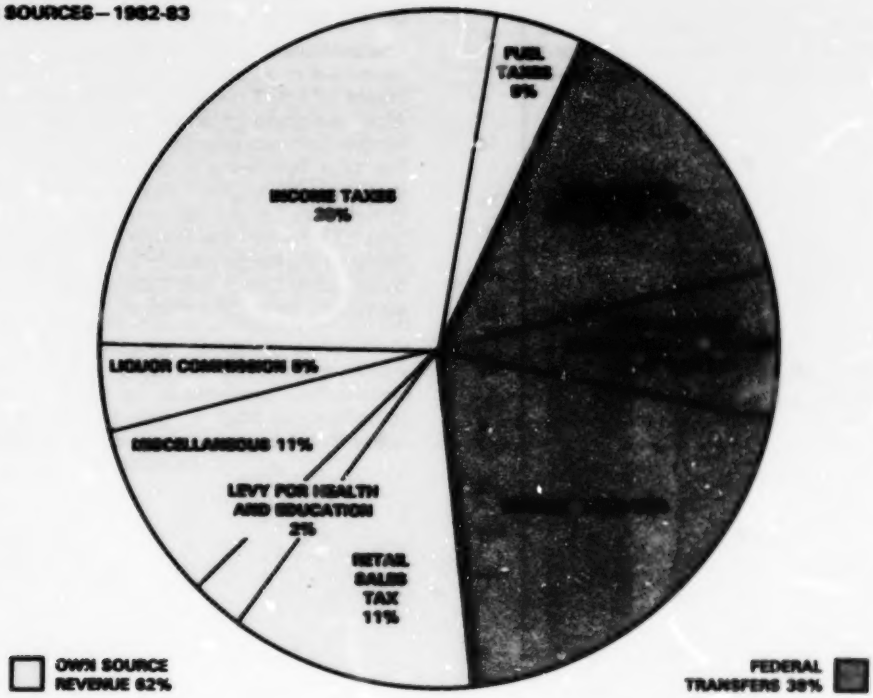


Direct and Guaranteed Debt

The combined Direct and Guaranteed Debt of the Province increased at a rate of 12.4% in 1982-83 with a net increase of $582 million to reach a level of $5,257 million after deduction of accumulated Sinking Funds and with foreign currency debt valued at exchange rates in effect at the time borrowing took place. At 12.4%, the rate of growth was slightly less than the compound annual growth rate for the ten-year period from 1973-83, which was 13%. When the foreign currency debt is expressed in terms of exchange rates in effect on March 31, 1983, the outstanding Direct and Guaranteed Debt of the Province amounted to $6,346 million.

PROVINCIAL REVENUE

MAJOR REVENUE SOURCES—1982-83



The Revenue of the Province includes its own taxation levies, a variety of fees, licences and charges, profits derived from the Liquor Control Commission and payments from the Federal Government under fiscal arrangements and shared cost programs. It does not include cash received as the proceeds from borrowing nor does it include revenues earned by Crown Corporations, Agencies, Boards and Commissions, with the exception of the Liquor Control Commission.

In the 1982 Budget, revenue for the 1982-83 fiscal year was estimated at $2,495 million. By year-end, the actual revenue total had decreased by $86 million from the budget estimate, to a total of $2,409 million.

Approximately 62% of the Province's total revenue in 1982-83 was derived from its own sources, with the balance attributable to federal transfers. The following is a summary of the major revenue sources. A Statement of Revenue, by source, is found on page 18 of this publication.

"OWN SOURCE" REVENUE

The Majority of "Own Source" revenue, which totalled $1,490 million in 1982-83, is derived from taxation with the remainder coming from other sources such as the Liquor Control Commission and automobile and drivers licences.

INCOME TAXES

The individual income tax, which totalled $631 million in 1982-83, remains the largest single revenue source for the Manitoba Government. The Manitoba individual income tax basic rate is 54% of basic federal tax with a 20% surtax payable on taxable income in excess of $25,000. The tax is collected for the Province by the Federal Government under a long-standing agreement. The Federal Government makes instalment payments to the Province during the year based on the estimated revenue for the year. Adjustments are also made for prior years as information on actual collections becomes available.

Corporation income tax revenue in 1982-83 totalled $54 million. As of January 1, 1982, Manitoba's corporation income tax rates were 10% of taxable income for small businesses as defined in the Federal Income Tax Act and 16% of taxable income for other corporations. As in the case of the individual income tax, the corporation income tax is collected for the Province by the Government of Canada.

RETAIL SALES TAX

The Province also obtains revenue from a range of taxes on the sale and use of various goods and certain services. The most significant of these taxes is the Retail Sales Tax, which yielded $267 million in 1982-83.

LEVY FOR HEALTH AND EDUCATION

The implementation of a Health and Post-Secondary Education Levy to finance part of the costs of Health and Education resulted in revenue of $56 million for 1982-83. The levy is 1.5% of the total compensation paid by employers and came into effect on July 1, 1982 for all employers except for Local Governments. These entities commenced paying the levy January 1, 1983.

FUEL TAXES

Gasoline Tax collections in 1982-83 totalled $84 million and Motive Fuel Tax totalled $32 million.

LIQUOR CONTROL COMMISSION

Profits from the Liquor Control Commission totalled $119 million in 1982-83.

FEDERAL TRANSFERS

Approximately 38% of the Province's total revenue in 1982-83 was attributable to Federal transfer payments which generally take two forms. Unconditional transfers involve general-purpose payments designed to assist in supporting a broad range of provincial services. Conditional transfers involve payments to help cover part of the costs of special programs provided by the Province.

Unconditional Transfers

The two largest Federal unconditional transfer programs are the Revenue Equalization Program and the Established Programs Financing Arrangements, both of which were affected by amendments to Federal Legislation effective for 1982-83 and subsequent years.

Under the Equalization Program, the Federal Government provides payments to a number of Provinces to supplement their per capita revenue from a broad range of their "own source" revenue. The payments which Provinces receive each year reflect both Federal estimates of entitlements for the current year and adjustments for prior years based on revised calculations of tax bases, tax rates and population. The initial budget estimate of Manitoba's equalization revenue for 1982-83 was $431 million. However, a series of revised Federal calculations resulted in actual receipts of $458 million, some $27 million higher than the initial estimate and $53 million above the $405 million equalization total received in 1981-82.

As well, in 1982 the Federal Government provided Population Recovery Adjustment Payments to offset certain recoveries with respect to National Equalization Payments due to downward population re-estimates consequent upon the 1981 Census. Population Recovery Adjustment Payments with respect to 1981-82 totalled $22 million during 1982-83.

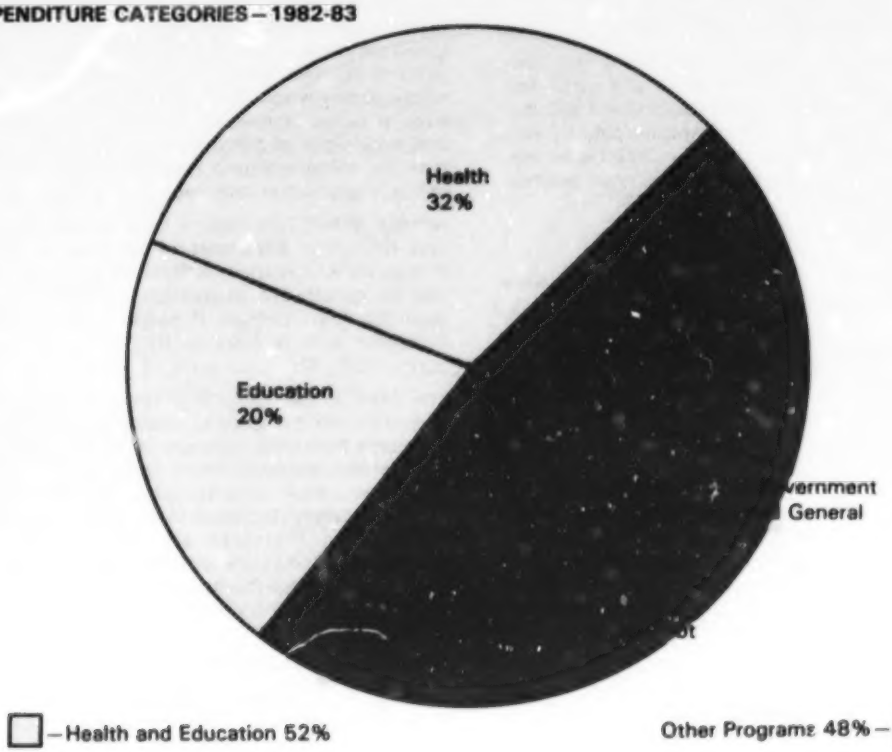
The other major general purpose transfer payment included in this category is received under the Established Programs Financing Arrangements. This "block funding" transfer is made available for general health and post-secondary education program purposes but is not calculated in relation to provincial costs for such programs. Contributions under this program are made on a per capita basis and are adjusted in line with changes in the growth rate of the Gross National Product. Established Programs cash receipts in 1982-83 totalled $274 million.

Conditional Transfers

In 1982-83, the Province received $161 million from the Federal Government through a variety of cost-sharing agreements under which the Federal Government reimburses the Province for a portion of expenditures incurred on specific programs. The largest of these programs provide Federal support for social assistance and social services under the Canada Assistance Plan, manpower training under agreements with the Canada Employment and Immigration Commission, and economic development under a series of agreements with the Federal Department of Regional Economic Expansion.

PROVINCIAL EXPENDITURE

MAJOR EXPENDITURE CATEGORIES – 1982-83



The Provincial Expenditure of a particular fiscal year consists of all payments made from the voted and statutory appropriations of that fiscal year. This total includes both "current" or "operating" expenditure as well as expenditure on items of a "capital" nature.

Expenditure Authority

"Voted" appropriations accounted for 94% of the 1982-83 expenditure. These amounts were expended on the authority of a supply vote in the Legislature or by special warrant approved by the Lieutenant Governor of Manitoba. Statutory appropriations, which accounted for the balance of the expenditure, were made on the authority of various provincial statutes and included items such as debt servicing costs and payments for hydro rates stabilization.

The total expenditure authority available to the Government for the 1982-83 fiscal year was $2,919 million. Actual expenditure for the year totalled $2,844 million or $75 million less than the total authority. Authority which is not utilized in a fiscal year lapses and cannot be carried forward to the following year.

A statement of expenditure, by department is found on page 17 of this publication.

Major Expenditure Categories

Departmental expenditure for 1982-83 is classified in the following Major Expenditure Categories:

HEALTH

The expenditure of the Department of Health amounted to $904 million or 32% of the total provincial expenditure in 1982-83. Health is the largest department in the Government and is responsible for a broad range of programs, many of which are administered through the Manitoba Health Services Commission. Some of the programs administered through the Health Services Commission are the Hospital Program, for $488 million, the Medical Program, for $178 million, the Personal Care Home Program, for $120 million, and the Pharmacare Program for $17 million. The Department also provided institutional care for the mentally ill at a cost of $31 million.

EDUCATION

Education is the second largest department of the Government, with expenditure totalling $575 million or 20% of the total provincial expenditure in 1982-83. Financial support is provided through this Department both to Public

Schools for $358 million and to post-secondary institutions, including the Province's Community Colleges for $39 million and its Universities for $141 million through the Universities Grants Commission.

HOUSING, INCOME ASSISTANCE AND COMMUNITY SERVICES

Expenditure in this category amounted to $473 million or 16% of the total provincial expenditure in 1982-83.

Housing and Income Assistance expenditure for certain major Programs, including the Property Tax Credit Program, the Pensioners' School Tax Assistance Program and the Cost of Living Tax Credit Program totalled $172 million in 1982-83. These programs are the responsibility of the Department of Finance which administers them in conjunction with the Department of Municipal Affairs, the Manitoba Housing and Renewal Corporation and Revenue Canada. Assistance to low income Manitobans in respect of housing rental and repair, including the Shelter Allowance for Elderly Renters and the Shelter Allowance for Family Renters Programs through the Manitoba Housing and Renewal Corporation totalled $36 million.

Expenditure by the Department of Community Services and Corrections totalled $265 million in 1982-83. The largest portion of these funds were required for various forms of social security programming, including Social Allowances for $198 million, the Manitoba Supplement for Pensioners for $4 million, Child and Family Services for $42 million, the Child Related Income Support Program for $7 million, and Day Care Services for $11 million. The Department also provides certain health-related services in conjunction with the Department of Health.

ECONOMIC AND RESOURCE DEVELOPMENT AND HIGHWAYS

Programs designed to sustain and encourage economic development accounted for $455 million or 16% of the total provincial expenditure in 1982-83.

Highways and Transportation

Expenditure of the Department of Highways and Transportation totalled $201 million in 1982-83. Approximately $100 million of this total was expended on the continued construction of the highway system to service existing and new industries, resources and tourism, while an additional $51 million was expended on the maintenance program for the primary and secondary road system and for northern airports.

Economic Development and Tourism

Expenditure in this policy field by the Department of Economic Development and Tourism was $22 million in 1982-83. This total included a number of programs undertaken through "Enterprise Manitoba", a joint Economic Development initiative carried on in co-operation with the Federal Department of Regional Economic Expansion, and through "Travel Manitoba", a Canada/Manitoba Agreement for tourism development.

Natural Resources

Expenditure by the Department of Natural Resources totalled $79 million in 1982-83. This total included major expenditures for parks, water resources, forestry and other services.

Northern Affairs, Environment and Workplace Safety and Health

Expenditure by the Department of Northern Affairs, Environment and Workplace Safety and Health totalled $26 million in 1982-83. This total includes the $4 million expended under the Canada-Manitoba Northern Development Agreement.

Agriculture

Department of Agriculture expenditure totalled $57 million, covering a broad range of services to the extremely important agricultural sector of the economy.

Energy and Mines

The Department of Energy and Mines expended $11 million during the year, largely for mineral resource programming. This department also showed increased activity in the Energy Field, especially energy supply and demand and energy conservation.

Hydro Rates Stabilization

Payments of $7 million were made under the Hydro Rates Stabilization Program.

Other

Significant expenditure by other departments in this policy field in 1982-83 were made by Labour and Manpower for $20 million, Cultural Affairs and Historical Resources for $15 million, $7 million for Employment Creation and $4 million for Emergency Interest Rate Relief.

DIRECT LOCAL GOVERNMENT ASSISTANCE AND GENERAL SERVICES

This category includes the provision of Government space requirements, financial management and other general central services of the Government. Expenditure in 1982-83 was $275 million or 10% of the total provincial expenditure.

The largest part of this total was expended by the Departments of Municipal Affairs and Urban Affairs whose expenditure totalled $89 million in 1982-83. The total included direct assistance to municipalities through such programs as block funding for the City of Winnipeg and grants in lieu of taxes.

Unconditional income tax transfers to municipal governments in the amount of $29 million for 1982-83 are not included in these totals, but are shown as reductions from personal and corporation income tax revenue.

The total also includes expenditure by the Departments of Government Services of $66 million, Attorney General of $61 million, Civil Service of $29 million, Finance of $13 million and Legislation and Executive Council of $9 million.

PUBLIC DEBT

The costs of servicing the debt of the Province, which is paid from a statutory appropriation, amounted to $162 million or 6% of the total provincial expenditure in 1982-83. This is a net expenditure after deduction of the interest revenue received by the Province on loans and advances and from the investment of the Government's cash flow and sinking funds.

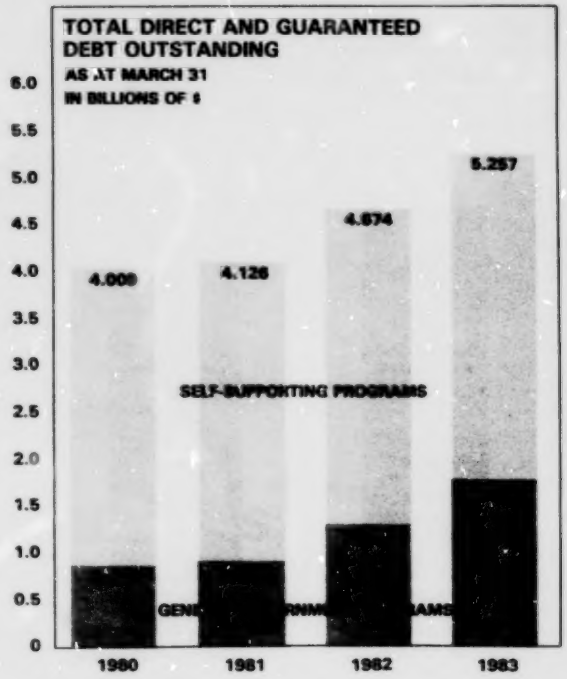
Direct and Guaranteed Debt

The Province of Manitoba incurs "direct debt" through the issuance of bonds, debentures and other securities to secure funds for its own needs as well as for the capital requirements of certain of its Agencies. Debt incurred on behalf of these Agencies is generally self-supporting so that any debt service charges paid on this debt are recovered directly from the Agency.

In addition to having direct debt, the Province also acts as a guarantor of securities issued by various other entities. This "guaranteed debt" is largely self-supporting although a part of it is on behalf of schools, universities and hospitals that are serviced in whole or in part from Government appropriations.

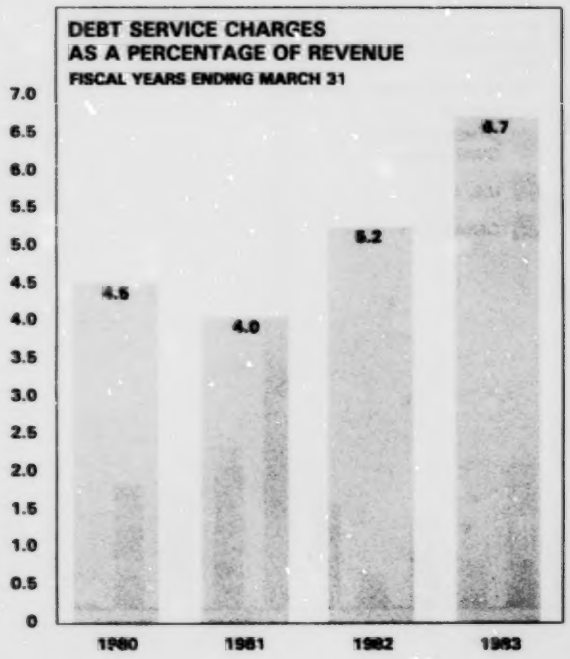
There is a requirement to maintain sinking funds for the repayment of both "direct debt" and "guaranteed debt" of the Province. These sinking funds are generally deducted from the applicable debt when determining the outstanding debt of the Province.

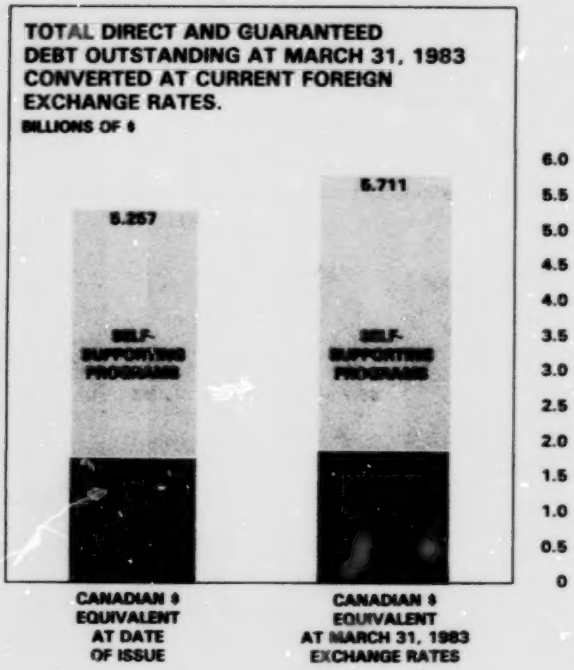
At March 31, 1983, the combined direct and guaranteed debt of the Province less securities held in the sinking fund for debt redemption reached a level of $5,257 million of which $3,479 million represented debt issued for self-supporting programs. During the fiscal year ended March 31, 1983, the combined debt increased 12.4%.



Debt Service Charges

In the fiscal year ended March 31, 1983, the cost of servicing debt issued for the purpose of general Government programs reached a level of $162 million and represented approximately 6.7% of gross provincial revenue.

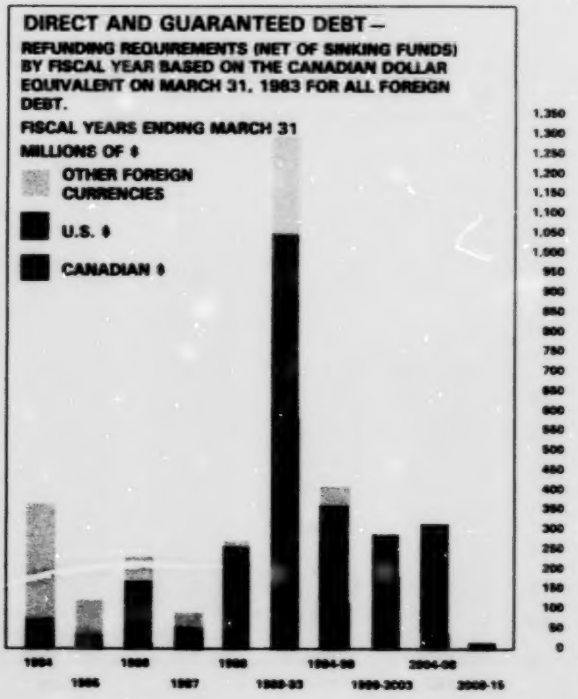




Valuation of Foreign Debt

At March 31, 1983, approximately 50% of the combined debt was payable in foreign currencies, subjecting the Province to significant foreign exchange exposure. The combined debt figures previously referred to reflect the Canadian dollar equivalent of the value of the foreign debt at time of issue. If the figures were to reflect foreign exchange values at March 31, 1983, the debt would increase by approximately $454 million.

Although 70% of the combined foreign currency debt is payable in U.S. Dollars with the balance being in various European and Asian currencies, 64% of the foreign exchange fluctuation is attributable to U.S. Dollars. For this reason, the Province has established a policy of borrowing in Canadian and U.S. Dollars whenever possible, in preference to borrowing in the other currencies.



Debt Refinancing

During the next decade, $3,438 million of the combined direct and guaranteed debt matures against which it is estimated that the Province will have accumulated approximately $1,040 million of sinking funds to be applied against such maturities leaving approximately $2,398 million of the debt to be refunded. These figures are based on the value of the debt calculated at foreign exchange values on March 31, 1983 for all foreign debt.

Financial Statements

for the year ended

March 31, 1983

INTRODUCTION

The Public Accounts

"Public Accounts" is the term commonly used to describe the complete set of financial statements prepared annually by the Government of the Province of Manitoba. The requirement for the preparation of the Public Accounts is statutory, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts are published in two volumes. The first volume contains the audited Financial Statements for the fiscal year, which are prepared in accordance with the accounting policies of the Government. It includes, as well, detailed accounting information and the Provincial Auditor's Report on the Public Accounts. The second volume contains Supplementary Information regarding details of salaries and wages paid to employees, payments to corporations, firms, individuals, municipalities and payments from departmental appropriations during the fiscal year.

Accounting Policies

The accounting policies of the Government are a set of standards or practices that the Government has adopted for purposes of accounting and financial reporting. The practices followed by the Manitoba Government are those generally accepted for accounting and financial reporting by Governments in Canada, although some differences exist between Provinces. Any changes in accounting policies from those followed in the preceding year must be reported in the Public Accounts. In this publication, significant changes will be explained in the Notes to the Financial Statements.

The accounting policies followed by the Government of the Province of Manitoba with respect to the preparation of the financial statements included in the Public Accounts as well as those in this publication are reprinted on page 27. This information is organized into two sections:

Statement
This is a brief summary of the basic accounting policies followed by the Government.

Application
This section describes in more detail the application of the accounting policies to the Revenue and Expenditure of the fiscal year and to the Asset and Liability Accounts reported at fiscal year end.

Notes to the Financial Statements

While the Application section of the accounting policy describes the general content of the accounts shown in the Government's financial statements, explanation may be required of specific items included in these accounts or of changes that have occurred since the previous fiscal year. This is done by means of Notes to the Financial Statements which then become an integral part of the financial statements and are required for better understanding of the information presented.

Statements included in Financial Report — 1982–83

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of "The Consolidated Fund" are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the various categories of trust money administered by the Government.

This publication includes the following "Operating Fund" financial statements which are taken from the Public Accounts and further summarized for presentation purposes. The trust administration activities of the Government are reflected in these statements only to the extent that trust money is held and invested through the Operating Fund by the Minister of Finance.

Statement of Changes in Financial Position — Operating Fund

This statement summarizes the changes that have occurred in the financial position of the Province during the fiscal year. It states the Net Financial Requirement for the fiscal year as well as how the financing was provided to meet this requirement. Further supporting information for this statement is contained on the following four statements:

Statement of Expenditure
This statement provides a breakdown, by department, of the Expenditure for the fiscal year as shown on the Statement of Changes in Financial Position.

Statement of Revenue
This statement provides a breakdown, by Revenue source, of the Revenue for the fiscal year as shown on the Statement of Changes in Financial Position.

Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables
This statement, which summarizes the increases and repayments that have occurred during the fiscal year in long-term investments, advances and other receivables, provides further detail for the net increase in these accounts as shown on the Statement of Changes in Financial Position.

Summary Statement of Debt Transactions
This statement, which summarizes the purpose for which money was borrowed and the retirement of debt during the fiscal year, provides further detail for the increase in debt as shown on the Statement of Changes in Financial Position.

Operating Fund Assets and Liabilities

This statement shows the Assets and Liabilities of the Operating Fund as at the end of the fiscal year. Notes to the Financial Statements are used extensively with this statement to provide further information on the content of the Assets and Liability Accounts.

Excess of Liabilities over Recorded Assets

The account shown on this statement records the amount by which the liabilities of the Province exceed its recorded assets. This amount results essentially from an accumulation of the following:

- Operating surpluses or deficits of the Province in preceding fiscal years.
- Advances to and investments in Government Agencies that have been written off as well as a provision for losses on advances and investments that are presently outstanding.

This statement presents the net results of the changes that have occurred in the Province's assets and liabilities during the fiscal year.

Statement of Valuation and Purpose of Bonds, Debentures and Other Securities Outstanding

The Province records the liability for foreign debt based on the Canadian Dollar equivalent of the par value converted at the rate of exchange in effect at the date of issue. The annual fluctuation in potential debt repayment cost resulting from changes in currency values is not reflected in the books of the Province. However, a Statement of Valuation and Purpose of Bonds, Debentures and Other Securities Outstanding at the year end, showing the comparison between the value of the outstanding direct and guaranteed debt, based on rates of exchange in effect at year end, to the Province's recorded liability, is included for information purposes. This statement provides a breakdown of the debt by currency as well as by purpose for which the debt was issued.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF CHANGES IN FINANCIAL POSITION — OPERATING FUND

For the Year Ended March 31, 1983

		March 31, 1983 ($ millions)		March 31, 1982 ($ millions)
Expenditure		2,844		2,432
Revenue		2,409		2,181
Excess of Expenditure over Revenue		435		251
Transfer of Special Municipal Loan and General Emergency Fund to Revenue		-		25
Decrease in Reserves for Depreciation and Replacement		1		-
Net Increase in Respect of:				
Advances to Crown Corporations, Agencies, Boards and Commissions	363		212	
Long-Term Investments	4		2	
Other Advances and Receivables	5	372	3	217
Net Financial Requirement		808		493
Financing was provided by:				
Debt Transactions				
Proceeds of loans	910		735	
LESS: Retirement of Loans	128		90	
	782		645	
Less: Net Contributions to Sinking Funds	71		61	
Net Proceeds from Borrowing		711		584
Financing Exceeded Requirement		(97)		91
Working Capital (Deficiency) Beginning of Year		20		(71)
Working Capital (Deficiency) End of Year		(77)		20

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF EXPENDITURE

For the Year Ended March 31, 1983

	March 31, 1983 ($ millions)	March 31, 1982 ($ millions)
Legislation	6	7
Executive Council	3	2
Agriculture	57	42
Attorney-General	61	49
Civil Service	29	21
Community Services and Corrections	265	216
Consumer and Corporate Affairs	5	4
Co-operative Development	5	1
Crown Investments	1	–
Cultural Affairs and Historical Resources	15	13
Economic Development and Tourism	22	21
Education	575	494
Energy and Mines	11	8
Finance	354	304
Fitness, Recreation and Sport	3	2
Government Services	66	63
Health	904	773
Highways and Transportation	201	187
Labour and Manpower	20	15
Manitoba Housing and Renewal Corporation	36	28
Municipal Affairs	30	26
Natural Resources	79	73
Northern Affairs, Environment and Workplace Safety and Health	26	36
Urban Affairs	59	44
Emergency Interest Rate Relief	4	–
Employment Creation	7	–
Flood Control and Emergency Expenditures	–	3
	2,844	2,432

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF REVENUE

For the Year Ended March 31, 1983

	March 31, 1983 ($ millions)	March 31, 1982 ($ millions)
Taxation:		
Individual Income Tax	631	514
Retail Sales Tax	267	266
Gasoline Tax	84	82
Levy for Health and Education	56	–
Corporation Income Tax	54	115
Tobacco Tax	45	36
Motive Fuel Tax	32	27
Revenue Act, 1964, Part 1	23	21
Corporation Capital Tax	23	18
Oil and Natural Gas Tax	13	10
Insurance Corporations Tax	13	9
Pari-Mutuel Tax	5	5
Mining Tax	–	9
Mining Royalty Tax	–	6
Total Taxation Revenue	1,246	1,117
Other Revenue:		
Liquor Control Commission	119	91
Automobile and Motor Carrier Licences and Fees	26	23
Water Power Rentals	12	10
Minerals and Petroleum	6	6
Fines and Costs	5	5
Land Titles Fees	5	5
Municipalities	4	4
Parks	4	3
Forestry	2	3
Automobile and Drivers' Licences	2	2
Rentals from Various Government Properties	2	2
Other	57	47
Transfer from Special Municipal Loan and General Emergency Fund	–	25
Total Other Revenue	244	226
Total Own Source Revenue	1,490	1,343
Government of Canada:		
Equalization	458	405
Established Programs Cash Transfer	274	288
Continuing Programs	153	137
Population Recovery Adjustment Payment	22	–
Acquisition/Construction of Physical Assets	8	6
Government of Canada Subsidy	2	2
Share of Federal Oil Export Tax	2	–
Total Revenue from Government of Canada	919	838
Total Revenue	2,409	2,181

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA
SUMMARY STATEMENT OF TRANSACTIONS IN LONG-TERM INVESTMENTS, ADVANCES AND OTHER RECEIVABLES

For the Year Ended March 31, 1983

	March 31, 1983 ($ millions)	March 31, 1982 ($ millions)
Crown Corporations, Agencies, Boards and Commissions:		
Increase in Advances:		
Manitoba Telephone System	65	52
Manitoba Hydro-Electric Board	278	138
Manitoba Water Services Board	2	2
Manitoba Agricultural Credit Corporation	20	40
Manitoba Housing and Renewal Corporation	12	–
Manitoba Development Corporation	14	1
Manitoba Forestry Resources Ltd.	13	5
Manitoba Beef Stabilization Fund	4	–
The Manitoba Crop Insurance Corporation	–	6
Other Crown Corporations, Agencies, Boards and Commissions	4	2
	412	246
Repayment of Advances:		
Manitoba Telephone System	5	1
Manitoba Hydro-Electric Board	11	10
Manitoba Agricultural Credit Corporation	8	4
Manitoba Water Services Board	3	3
Manitoba Development Corporation	3	–
The Manitoba Crop Insurance Corporation	1	3
Other Crown Corporations, Agencies, Boards and Commissions	2	3
	33	24
Increase in Sinking Funds provided by Crown Corporations or Boards for Repayment of Debt Applicable to Advances	16	10
	49	34
Net Increase in Advances to Crown Corporations, Agencies, Boards and Commissions	363	212
Increase in Long-Term Investments:		
Manitoba Forestry Resources Ltd.—Debentures and Northland Bank—Shares	4	2
Other Advances and Receivables		
Increase in Other Advances and Receivables:		
Insulation Loan Program	5	5
Municipal Corporations	1	1
Interest Rate Relief Program	2	–
	8	6
Repayment of Other Advances and Receivables:		
Insulation Loan Program	1	2
Municipal Corporations	1	1
Other Receivables	1	–
	3	3
Net Increase in Other Advances and Receivables	5	3

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

SUMMARY STATEMENT OF DEBT TRANSACTIONS

For the Year Ended March 31, 1983

	March 31, 1983 ($ millions)	March 31, 1982 ($ millions)
Proceeds of Loans:		
To Provide for:		
General Government Programs	464	387
The Manitoba Hydro-Electric Board	227	137
The Manitoba Telephone System	65	52
Funding advances previously made to:		
The Manitoba Telephone System	–	36
The Manitoba Agricultural Credit Corporation	1	11
The Manitoba Housing and Renewal Corporation	12	23
The Manitoba Water Services Board	2	6
Canadian Co-op Implements Ltd.	1	2
Credit Union and Caisses Populaire Assistance	30	–
Emergency Interest Rate Relief Program	9	–
Insulation Loan Program	2	5
Manitoba Beef Stabilization Fund	4	–
Various Municipalities	1	1
	818	660
Refunding Matured Direct Debt re:		
General Government Programs	71	36
The Manitoba Hydro-Electric Board	51	39
Total Proceeds of Loans	940	735
Less: Debentures Issued Under Financial Assistance Agreements	30	–
Net Proceeds of Loans	910	735
Retirement of Loans:		
General Government Programs	80	24
The Manitoba Hydro-Electric Board	11	49
The Manitoba Telephone System	5	16
Manitoba Data Services	1	–
Manitoba Agricultural Credit Corporation	11	–
Manitoba Development Corporation	5	–
Manitoba Housing and Renewal Corporation	8	–
The Manitoba Water Services Board	6	–
Various Municipalities	1	1
Total Retirement of Loans	128	90

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

OPERATING FUND ASSETS AND LIABILITIES

As at March 31, 1983

	March 31, 1983 ($ millions)	March 31, 1982 ($ millions)
Assets		
Temporary Investments	773	605
Advances and Other Receivables:		
Crown Corporations, Agencies, Boards and Commissions (Note 1)	1,947	1,584
Government of Canada and Others (Note 2)	68	62
Long Term Investments (Note 3)	247	243
	3,035	2,494
Less: Allowance for Losses on Realization of Assets (Note 4)	135	114
Total Assets	2,900	2,380
Excess of Liabilities Over Recorded Assets (Note 5)	1,547	1,091
	4,447	3,471
Liabilities		
Amount Owing to The Trust Fund (Note 6)	497	313
Bank Overdraft and Promissory Notes	19	54
Accounts Payable, Accrued Charges and Funds Subject to Call	368	250
	884	617
Reserve Accounts	–	1
Bonds, Debentures and Other Securities (Note 7)	4,005	3,194
Less: Sinking Funds Provided (Note 8)	412	341
	3,593	2,853
Less: Debentures Issued under Financial Assistance Agreements (Note 9)	30	–
	3,563	2,853
Total Liabilities	4,447	3,471
Guaranteed and Indirect Liabilities		
Securities Guaranteed by the Government		
Self-Supporting Debt (Note 10)	1,649	1,805
Debt Serviced in Whole or in Part from the Consolidated Fund (Note 11)	238	239
	1,887	2,044
Less: Applicable Sinking Funds (Note 12)	223	222
	1,664	1,822

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXCESS OF LIABILITIES OVER RECORDED ASSETS

As at March 31, 1983
(in $ millions)

Balance March 31, 1982		1,091
Excess of Expenditure over Revenue for the fiscal year ended March 31, 1983		435
		1,526
Adjustments:		
Increase in Allowance for Losses on Realization of Assets:		
March 31, 1983 Balance	135	
March 31, 1982 Balance	114	21
Balance March 31, 1983		1,547

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF VALUATION AND PURPOSE OF BONDS, DEBENTURES AND OTHER SECURITIES OUTSTANDING

As at March 31, 1983

Valuation of Debt Direct Debt Payable In:	Par Value ($ millions)	Canadian Dollar Equivalent at Date of Issue ($ millions)	Exchange Rate as at March 31, 1983	Current Canadian Dollar Equivalent ($ millions)
Canadian Dollars	2,053	2,053	1.00	2,053
U.S. Dollars	988	1,141	1.2339	1,219
Swiss Francs	992	518	.5924	588
European Units of Account	33	41	1.5690	52
Japanese Yen	40,800	184	.005138	210
Deutsche Marks	150	68	.5079	76
Total Direct Debt		4,005		4,198
Guaranteed Debt Payable in:				
Canadian Dollars	879	879	1.00	879
U.S. Dollars	926	931	1.2339	1,143
Swiss Francs	160	56	.5924	95
Deutsche Marks	55	17	.5079	28
Pounds Sterling	2	4	1.8302	3
Total Guaranteed Debt		1,887		2,148
Total Direct and Guaranteed Debt		5,892		6,346
Less: Sinking Funds		635		635
Net Direct and Guaranteed Debt		5,257		5,711
Purpose of Debt				
General Government Programs		2,106		2,185
Other:				
Manitoba Hydro-Electric Board		2,780		3,101
Manitoba Telephone System		559		611
Manitoba School Capital Financing Authority		215		215
Manitoba Agricultural Credit Corporation		100		101
Manitoba Data Services		11		11
Manitoba Housing and Renewal Corporation		59		60
Manitoba Water Services Board		18		18
Federal-Provincial Loan Agreements		15		15
Universities		26		26
Municipal, Hospital & Other Indebtedness		3		3
		3,786		4,161
Total Direct and Guaranteed Debt		5,892		6,346
Less: Sinking Funds		635		635
Net Direct and Guaranteed Debt		5,257		5,711

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

NOTES TO THE FINANCIAL STATEMENTS

(All Figures in millions of dollars)

1. **Crown Corporations, Agencies, Boards and Commissions**

Advances outstanding at March 31 are listed on the following table. Advances are reduced by sinking funds provided by certain Crown Corporations and Boards for repayment of the debt issued to fund the advances to these entities. Further details of sinking fund amounts are shown in note 8.

	1983	1982
Manitoba Hydro-Electric Board	$1,360	$1,094
Manitoba Telephone System	338	278
Manitoba Agricultural Credit Corporation	173	161
Manitoba Housing and Renewal Corporation	76	64
Manitoba Water Services Board	15	16
Manitoba Forestry Resources Ltd.	17	5
Manitoba Development Corporation	16	4
Manitoba Data Services	11	12
University of Manitoba	5	5
The Liquor Control Commission	5	5
Manitoba Beef Stabilization Fund	4	–
Other	11	8
	$2,031	$1,652
Sinking Funds	84	68
	$1,947	$1,584

The Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables provides information on the changes that occurred in the advance accounts during the fiscal year.

2. **Government of Canada and Others**

Amounts in this category, which are due within one year of the statement date are classified as "Current Amounts". The "Current Amounts" balance, which is for the most part shared-cost expenditures recoverable from the Government of Canada, increased by $1 million from $33 million at March 31, 1982 to $34 million at March 31, 1983.

Changes in the "Not Current" amounts included in this category are shown on the Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables.

The following summarizes all balances at March 31:

	1983	1982
Current Amount	$34	$33
Municipal Corporations	15	15
Others	19	14
	$68	$62

3. **Long-Term Investments**

Long-Term Investments consist of shares and debentures of Crown Corporations with the exception of a $3 million investment in Tantalum Mining Corporation of Canada Limited and a $.5 million investment in shares of the Northland Bank. The following summarizes the balances at March 31:

	1983	1982
Manitoba Forestry Resources Ltd.	$185	$181
Manitoba Development Corporation	50	50
Leaf Rapids Town Properties Ltd.	7	7
Other Crown Corporations	1	1
Other Investments	4	4
	$247	$243

4. Allowance for Losses on Realization of Assets

The allowance provides for the decrease in value of advances and investments in the following Crown Corporations, Boards, Commissions and Agencies.

	1983	1982
Manitoba Forestry Resources Ltd.	$107	$ 92
Manitoba Development Corporation	16	14
Manitoba Water Services Board	4	4
Manitoba Data Services	–	1
Manitoba Beef Stabilization Fund	4	–
A. E. McKenzie Co. Ltd.	4	3
	$135	$114

5. Excess of Liabilities over Recorded Assets

This account usually records the changes in the Province's "Net Assets" which result from operating deficits or a recalculation of the Allowance for Losses on Realization of Assets. It may also be used to record adjustments to the Government's Asset and Liability accounts which result from a change in accounting policy or adjustments resulting from the operations of previous fiscal years which do not directly affect the Revenue and Expenditure of the fiscal year being reported. A separate statement of this account is included on Page 22 of this Publication.

6. Amount Owing to the Trust Fund

The Government's policy with respect to money management requires that all short-term investments be made in the Operating Fund regardless of the source of the money. The balance shown here consists primarily of surplus cash of Crown Corporations, Agencies, Boards and Commissions on deposit with the Minister of Finance for investment, but not specifically invested. At any time the aggregate amount and the average term of short-term investments may or may not equal the aggregate amount and the average term of the trust funds on deposit with the Government. At March 31, 1983, the amount of Temporary Investments exceeded the amount advanced from the Trust Fund by $276 million.

7. Bonds, Debentures and Other Securities

The Summary Statement of Debt Transactions provides information regarding new direct debt issued and debt retired during the fiscal year. Approximately 49% of the direct debt payable at March 31, 1983 is in foreign currencies. The Statement of Valuation and Purpose of Bonds, Debentures and Other Securities provides a breakdown by type of currency as well as a revaluation of this debt at the exchange rates in effect at year end. The statement also summarizes the purpose for which the debt was issued, showing the amount incurred for general government programs separate from debt incurred on behalf of government agencies and others.

8. Sinking Funds Provided

Sinking funds are provided for repayment of debt issued by the Province for its own purposes as well as the debt issued by the Province on behalf of its Crown Corporations and Boards. In the latter case, contributions to the sinking funds are made by the entity to which the debt applies. The status of contributions at March 31, was as follows:

	1983	1982
Provincial Contributions	$328	$273
Crown Corporations and Boards:		
Manitoba Hydro-Electric Board	$ 68	$ 56
Manitoba Telephone System	12	9
Manitoba Housing and Renewal Corporation	4	3
Total Crown Corporations and Boards	$ 84	$ 68
Total Sinking Funds	$412	$341

9. **Debentures Issued Under Financial Assistance Agreements**
Bonds, Debentures and Other Securities include debentures in the amount of $30 million which were issued under agreements with the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires. Under these agreements the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires received advances of $25 million and $5 million respectively in the form of provincial debentures which are required to be cancelled at maturity. The purpose of this arrangement was to provide financial assistance to these aforementioned entities during the term of the debenture consistent with the interest payable on these debentures.

10. **Self-Supporting Debt**
The Province guarantees the following debt which is considered to be self-supporting:

	1983	1982
The Manitoba Hydro-Electric Board	$1,420	$1,566
The Manitoba Telephone System	222	231
The Manitoba Water Services Board	6	6
Various Cities and Towns	1	2
	$1,649	$1,805

Approximately 41% of this debt is in foreign currencies. A revaluation of this foreign debt at the exchange rates in effect at fiscal year end is shown on the Statement of Valuation and Purpose of Bonds, Debentures, and Other Securities Outstanding.

11. **Debt Serviced in Whole or in Part from the Consolidated Fund**
The Province guarantees the following debt which is serviced in whole or in part from the Consolidated Fund:

	1983	1982
Manitoba School Capital Financing Authority	$215	$215
Universities	21	22
Various Hospital and Other Institutions	2	2
	$238	$239

All of this debt is payable in Canadian Dollars.

12. **Securities Guaranteed by the Government — Sinking Funds**
Sinking Funds are provided, mainly by those entities with self-supporting debt, for retirement of the guaranteed debt, as follows:

	1983	1982
The Manitoba Hydro-Electric Board	$172	$176
The Manitoba Telephone System	36	32
The Manitoba Water Services Board	1	1
University of Manitoba	14	13
	$223	$222

Statement

The basic accounting policies followed by the Government of Manitoba, which have been applied in the preparation of these Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of The Statutes of Manitoba. Further information regarding their application to the financial transactions of the Government is provided in the section entitled "Application".

I. The Accounting Entity

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts received as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Financial statements prepared for the "Trust Fund" report the activities in the various categories of trust money administered by the Government.

The financial operations of the provincial Crown Corporations, Agencies, Boards and Commissions are reflected in The Consolidated Fund to the extent that:

1) They receive money from or pay money to the Government.

2) Any deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government.

II. Cash Basis of Accounting

A REVENUE

i) Revenue, with the exception of shared-cost receipts and Canada-Manitoba Fiscal Arrangements, is ordinarily recorded on a cash basis. Accordingly, all money received by Departments on or before March 31 is included in the revenue for the fiscal year, provided that it is deposited with the Minister of Finance prior to the fifteenth day of April, immediately following.

ii) Money received pursuant to shared-cost agreements and arrangements that extend over more than one fiscal year is recorded as revenue in each fiscal year in proportion to the related expenditure made in the respective year. Accordingly, the uncollected balance of the shared-cost claims related to the fiscal year being reported will be included in the revenue of that fiscal year.

iii) Revenue and expenditure are recorded in gross amounts (referred to as the Gross Accounting Concept) with the exception of the Municipal Share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act and is not recorded as revenue by the Government.

iv) Recoveries from Crown Corporations and Government Agencies of the debt servicing costs on self-supporting debt and certain investment income are recorded as a reduction of Public Debt expenditure.

B EXPENDITURE

Expenditure is recorded on a cash basis, modified to allow an additional forty-five days after the end of the fiscal year for the processing of payments pertaining to that fiscal year. Salaries and wages, however, are charged to the fiscal year in which they are paid. As well, an accrual is made to March 31st for interest payable on bonds, debentures and other securities.

III. Assets and Liabilities

1. The assets and liabilities reported in the financial statements are financial claims consisting of assets which are claims by the Government on other parties and liabilities which are claims by other parties on the Government.
2. Expenditure for the acquisition and/or construction of physical assets together with inventories and other deferred expenditures is not considered to differ from any other service to the public and accordingly is treated as operating expenditure of the year in which the expenditure is made. Since such expenditure does not represent financial claims on others, it is not reported as an asset at fiscal year-end. This does not negate the fact that the Government has substantial holdings of physical assets such as buildings, highways, education and health facilities, which may tend to appreciate in value over time.
3. Amounts loaned, advanced or invested in Crown Corporations, Agencies, Boards and Commissions are subject to annual revaluation. An Allowance For Losses On Realization Of Assets is provided and is adjusted annually to reflect the estimated change in value of these assets.
4. Bonds, debentures and other securities are recorded as liabilities at the par value of such securities and any discount, premium or commission expense is treated as an expenditure of the year in

which it is incurred. For foreign issues, the par value is converted to Canadian Funds at the exchange rate in effect at the date of issue, or the actual conversion rate of the proceeds. Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act.

IV. Guaranteed and Indirect Liabilities

In addition to having direct debt, the Government also acts as a guarantor of securities issued by various other entities. The debt guaranteed pertaining to Crown Corporations, Agencies, Boards and Commissions is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund. Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown Corporations, Agencies, Boards and Commissions. These Sinking Funds are maintained by the Minister of Finance through annual contributions from the Crown Corporation, Agency, Board or Commission to whom the debt applies and are held in the Trust Fund.

Other Contingent Liabilities that result from other financial activities of the Government are also reported annually in the Public Accounts.

Application

The following outlines the application of these accounting policies to the financial transactions of the Government:

I. Revenue

The revenue of the fiscal year is generally the amount received during the fiscal year. An exception is made for shared-cost receipts, and Revenue from the Government of Canada, which are subject to the following additional practices:

a) Where, pursuant to an agreement or arrangement, money is received in advance relating to projects for which expenditure is to be made in more than one fiscal year, the money is deemed to have been received in each fiscal year in proportion to the related expenditure made in the respective fiscal year.

b) It is the practice to show the uncollected balance of claims related to shared-cost agreements with the Government of Canada as an account receivable at March 31. This accrual is made in order that the revenue from this source is recorded in proportion to the related expenditure incurred in the fiscal year.

c) An additional practice is in effect regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements. The accounts are kept open until June 30 to reflect any adjustments to this revenue for the fiscal year just ended that the Government of Manitoba may become aware of before that date. Since this is the Government's largest single source of revenue, this practice is considered necessary to show the financial condition of the Government in the most accurate manner possible.

II. Expenditure

The expenditure of the fiscal year is essentially the payments made from appropriations during the fiscal year and for a subsequent forty-five day period after March 31. The accounts remain open during this period to allow processing time for expenditure pertaining to the fiscal year just ended.

An exception to this procedure is made for the interest cost on the long-term debt of the Government. In this regard, an accrual is made to March 31st for the interest payable on bonds, debentures and other securities. In the case of foreign issues, the accrual is based on the exchange rate that was recorded at the time of debt issue. There is no provision made for the fluctuation of foreign currencies between the debt issue dates and the interest payment dates.

The Allowance For Losses On Realization Of Assets is not charged to an appropriation. This amount, which represents an estimate of the change in recoverable value of the loans, advances and investments in Crown Corporations, Agencies, Boards and Commissions during the fiscal year, is not shown on the Statement of Revenue and Expenditure. It is reported on the statement that discloses the Excess of Liabilities Over Recorded Assets unless there is a legal realization of the loss, in which case the final write off of the loan, advance or investment will be disclosed after the operating results on the Summary of Revenue and Expenditure. The final write off of the loan, advance or investment will be detailed as to the year in which the allowance was recorded.

Payments made during the fiscal year from depreciation and replacement reserves established pursuant to Section 20 of the Financial Administration Act are not aggregated with provincial expenditure because the reserves were originally created and were supplemented annually from funds charged to expenditure appropriation.

Payments made by the Government for the purposes of acquiring property or physical assets are classified in a separate category of expenditure called "Expenditures Related to Capital Assets" and are defined as follows:

a) Expenditures for property of all kinds, both real property and chattels, purchased or self-constructed for use by Government that are deemed to have an economic life in excess of one year.

b) Expenditures for projects or activities which entail major renewals, modification or modernization by own labour forces on behalf of the Government. The expenditures should significantly prolong the expected economic life of the asset.

c) The principal portion of a debt repayment when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the consolidated fund as an expenditure.

d) Grants or assistance payments to municipalities, school divisions, external agencies, commercial organizations and private individuals which are known to be for the purpose of acquiring physical assets.

III. Assets and Liabilities

The statement of Assets and Liabilities is prepared in accordance with the following practices:

1. **TEMPORARY INVESTMENTS**
This category includes securities held as a result of the investment of the Government's cash flow and is generally comprised of money market instruments such as term deposits and negotiable securities which are intended to be held for a short term. All investments are shown at cost.

2. **ADVANCES AND OTHER RECEIVABLES**
Advances to Crown Corporations, Agencies, Boards and Commissions, which are generally interest bearing, are shown under this heading as well as financial claims on the Government of Canada and other parties. Amounts due within one year of the statement date are shown as "Current Amounts" and all others are classified as "Not Current". Balances under the advances category are not separated into a current portion and non-current portion even though repayment schedules may exist for some of these items. The Sinking Funds provided by Crown Corporations, Agencies, Boards and Commissions for repayment of the debt issued to fund advances to these entities are deducted from the advances.

Certain of the Crown Corporations are charged with a responsibility for administering Government programs for which they receive funds from Government appropriations. These funds are applied by the Corporation towards the program administration cost, including, in some cases, a portion of the interest they are charged on these advances. The principal repayment and/or interest charges for certain of the advances are dependent on total or partial funding from future appropriations of the Operating Fund.

3. **LONG-TERM INVESTMENTS**
The majority of the Province's long-term investments consist of shares and debentures of Crown Corporations. These investments are carried at cost which does not reflect the realizable value of the investments. Any decrease in the estimated realizable value is provided for in the Allowance For Losses On Realization Of Assets, which is described in the next paragraph.

4. **ALLOWANCE FOR LOSSES ON REALIZATION OF ASSETS**
An allowance is provided for decreases in the value of loans, advances and investments and is adjusted annually for changes that may occur in the estimated realizable value of these assets. The allowance is intended to provide for the accumulated deficits of the Crown Corporations, Agencies, Boards and Commissions in which the Government has invested money by way of loans, advances or purchases of shares. The valuation is based on the most recent audited financial statements applicable to the fiscal year being reported that are available at the time of publication of the Public Accounts. If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the accumulated deficit is assigned against the investments in order of priority on liquidation.

5. **EXCESS OF LIABILITIES OVER RECORDED ASSETS**
This account represents the difference between liabilities, which are financial claims owing by the Government, and recorded assets, which are financial claims receivable by the Government. Since the physical assets and materials inventories of the Government do not constitute a financial claim receivable by the Government, they are not considered in the determination of this balance.

6. **AMOUNT OWING TO TRUST FUND**
A large portion of this money has been deposited with the Minister of Finance in accordance with the terms of the legislation regulating the management of sinking funds and surplus cash of Crown Corporations, Agencies, Boards and Commission, but is not specifically invested. Such deposits are accorded a market rate of interest.

7. **BANK OVERDRAFT AND PROMISSORY NOTES**
This category represents the net overdraft in Government bank accounts adjusted for cheques is-

sued prior to and not presented for payment at March 31 and for cash in transit. Short term promissory notes are issued in lieu of increasing bank overdraft or liquidating investments to accommodate fluctuations in the cash flow cycle and are therefore considered together with the bank overdraft. Cheques issued subsequent to March 31 but chargeable to the fiscal year just ended are described in the next category.

8. **ACCOUNTS PAYABLE, ACCRUED CHARGES AND FUNDS SUBJECT TO CALL**
Cheques issued during the forty-five day period after March 31, in payment for goods and services pertaining to the fiscal year just ended are shown as accounts payable rather than as outstanding cheques.

Accrued charges represent the accrual of interest on provincial securities.

Funds subject to call consist in part of money received from the Government of Canada that will not be taken into revenue until earned. This was earlier described in paragraph I.a). As well, this category includes the liability for uninvested cash belonging to the Provincial Sinking Fund. This cash is designated as part of the Provincial Sinking Fund and must be kept available for investment.

9. **RESERVE ACCOUNTS**
In previous fiscal years depreciation and replacement reserves were maintained by the payment of annual allotments from appropriated funds and by deposit of the proceeds from sale of equipment. The accumulated purchases of machinery and equipment that were made from the reserve accounts were deducted from the reserve balance to show the amounts available. An accounting policy change was made during the fiscal year ended March 31, 1983 which resulted in the elimination of the reserves.

10. **BONDS, DEBENTURES AND OTHER SECURITIES**
This category includes bonds, debentures, secured loans from the Government of Canada, treasury bills and notes. Securities issued in Canadian Funds are recorded at par value. Securities issued in foreign funds are recorded at the Canadian Dollar equivalent of the par value based on the actual conversion of the proceeds or at the exchange rate in effect at the date of issue if conversion does not take place at issue date. Securities payable in foreign funds issued for the purpose of refunding other issues payable in the same currency are recorded at the Canadian Dollar equivalent of the par value at the date of issue.

The Government is required, by legislation, to determine the Canadian Dollar equivalent of provincial securities issued in foreign currencies or units of monetary value at March 31st of each year. The amount determined must be published in the Public Accounts as information regarding the current valuation of this foreign debt.

11. **SINKING FUNDS PROVIDED**
Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act. Money is allocated annually to these sinking funds on the following basis:

a) A sum equal to 3% of the aggregate amount of general purpose debt, in Canadian Dollars, outstanding at the end of the preceding fiscal year; and

b) All earnings derived from investing the sinking fund.

In addition principal repayments of advances which are funded by the issue of provincial securities are deposited to the sinking fund provided that the principal repayments are made prior to the maturity date of such securities.

The total shown for sinking funds also includes sinking fund money provided by Crown Corporations, Agencies, Boards and Commissions in respect to debt incurred on their behalf by the Government.

12. **DEBENTURES ISSUED UNDER FINANCIAL ASSISTANCE AGREEMENTS**
Bonds, debentures and other securities include debentures issued under agreements with the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires whereby these organizations received advances in the form of provincial debentures which are required to be cancelled at maturity. The purpose of this arrangement was to provide for financial assistance to the aforementioned entities during the term of the debentures consistent with the interest payable on these debentures.

IV. Changes in Financial Position

This statement presents the changes in the Government's financial position during the fiscal year. For purposes of this statement, working capital is defined to include the following:

a) Cash
b) Temporary investments
c) Current portion of advances and other receivables

Minus

d) Amounts owing to Trust Fund
e) Bank overdraft and promissory notes
f) Accounts payable, accrued charges and funds subject to call